

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER RAPER
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: OCTOBER 16, 2015

**SUBJECT: AVISTA CORPORATION'S APPLICATION FOR AUTHORITY TO
OFFER, ISSUE AND SELL DEBT UP TO \$300,000,000 AND ISSUE UP
TO 1,635,000 SHARES OF AUTHORIZED BUT UNISSUED COMMON
STOCK; CASE NO. AVU-U-15-01**

On September 14, 2015, Avista Corporation (Avista) applied for authority to offer, issue and sell up to \$300,000,000 of debt securities and 1,635,000 shares of authorized but unissued Common Stock under the Long-Term Incentive Plan. Avista also requests authority to refund, extend, renew or replace the proposed debt securities without further Commission approval provided specific tests are passed. One test is that the senior secured debt of Avista has investment grade ratings from at least two nationally recognized rating agencies, BBB-/Baa3 or at least Pricing Level V. The second test is that the all-in cost of the transaction including fees, interest rates and expenses charged or incurred are competitive with market prices for similar transactions.

The debt securities could be secured or unsecured with the stated interest rate(s) fixed or floating. The debt maturities will be established with each issuance and will not be less than nine (9) months nor more than thirty-five (35) years. The debt proceeds will be used for one or more of the following purposes: (a) the improvement or maintenance of service, (b) the discharge or refunding of obligations, (c) the reimbursement of moneys actually expended from income or from the treasury of Avista to the extent permitted, or (d) other purposes approved by the Commission or permitted by law. Staff does not believe it appropriate to issue stock to pay dividends.

Consistent with standard reporting requirements established by prior orders, Avista will file the terms of the proposed debt issuance(s) and any subsequent changes to the terms with the Commission Staff. This informational filing should be made seven days, or as soon as possible, prior to the issuance. Avista will file with the Commission as soon as they become available and update if any changes occur the "Report of Securities Issued" and verified copies of any Agreement entered into pursuant to this order for these issuances.

The Long-Term Incentive Plan is an existing program approved by the Board of Directors of Avista. The program grants awards to designated classes of eligible employees within the prescribed limits of the program. The awards may include Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Stock Awards, Performance Awards, Restricted Stock Units, Other Stock-Based Awards and Dividend Equivalent Rights. Shares awarded under the plan can be subject to a vesting period and other performance measures. Additional shares of authorized but unissued Common Stock periodically need to be approved for the ongoing plan operation. The ratemaking treatment of the Long-Term Incentive Plan awards is determined in rate cases.

Avista has paid the fees as required by *Idaho Code* § 61-905. Avista has agreed to extend the effective date to allow Staff to complete its examination and coincide with Decision Meeting dates.

STAFF RECOMMENDATION

Staff recommends approval of the proposed debt authority up to \$300,000,000. In addition, it is recommended that the authority under this initial approval be continuing (without further order required) provided Avista maintains senior secured debt ratings that are investment grade, BBB-/Baa3 or at least Pricing Level V. Staff also recommends approval of the issuance of up to 1,635,000 shares of authorized but unissued Common Stock under the Long-Term Incentive Plan.

COMMISSION DECISION

1. Does the Commission wish to approve Avista's request to issue up to \$300,000,000 in one or more debt issuances?

2. Does the Commission wish to allow the debt authority under this Order to be continuing during the authorized term provided the senior secured debt rating levels remain investment grade?

3. Does the Commission wish to require Avista to make the identified reporting and filing requirements?

4. Does the Commission wish to authorize the issuance of up to 1,635,000 shares of authorized but unissued Common Stock under the Long-Term Incentive Plan?



Terri Carlock JN

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